

**REPORT TO THE TWENTY-SECOND LEGISLATURE
STATE OF HAWAII
REGULAR SESSION OF 2003**

**New Contract Provisions Designed to
Significantly Increase MCI Marketing
for the State Of Hawaii**

Prepared by:
Hawaii Tourism Authority

In response to:
Senate Resolution No. SR 11 SD 1

Twenty-First Legislature
2002 Session

December 2002



INTRODUCTION

This report is pursuant to SR 11, SD 1, SLH 2002, which requests the Hawaii Tourism Authority (HTA) to report no later than twenty days prior to the convening of the Regular Session of 2003 on all new contract provisions designed to significantly increase meetings, conventions and incentives (MCI) marketing for State of Hawaii and their results.

One of the HTA's strategic initiatives as found in its Strategic Plan, *Ke Kumu*, is Business Tourism Marketing – to promote Hawaii as a preferred destination for business tourism by increasing media awareness and brand identity on a global basis. The goal of this strategy is to increase Hawaii's marketing mix of business visitor expenditures to 30 percent in the long term.

HTA BUDGET

In FY 2002, the HTA plan called for expenditures of \$700,000 in its Business Destination Marketing (BDM) program. The primary objective of the BDM program was to develop a business identity for the state while marketing Hawaii as an attractive business destination (e.g., “Hawaii as a great place to conduct business.”). The HTA funded 7 projects totaling \$500,000 and held \$200,000 in reserve for additional opportunities in FY 2002. However, due to the unforeseen events of September 11, 2001, the funds were redirected to the Hawaii Visitors and Convention Bureau (HVCB) for the state's emergency marketing efforts. There are currently no moneys dedicated for this program in FY 2003.

In FY 2003, Governor Benjamin Cayetano exercised a line item veto, which cut the HTA's budget by \$5 million, and as a result the HTA had to reduce program allocations. However, the HTA sought to protect the marketing budgets of the corporate meetings and incentives travel (CMI) and the Convention Center. Proportionately, expenditures in these areas increased.

Table 1: Comparison of HTA Marketing Budgets in CY 2002 and CY 2003

	CY 2002		CY 2003	
		Share		Share
HVCB Leisure	\$39 million	87%	\$33.150 million	85%
HVCB CMI	\$2 million	4%	\$2 million	5%
Hawaii Convention Center Marketing	\$4 million	9%	\$4 million	10%
TOTAL	\$45 million	100%	\$39.150 million	100%

BUSINESS MARKETING EFFORTS

As a result of Act 253, SLH 2002, which consolidates the marketing and operation of the Hawaii Convention Center with one operator beginning January 1, 2003, SMG, the Convention Center operator, submitted a marketing plan for the Convention Center as requested by the HTA. The plan, which was accepted by the HTA board on October 31, 2002, contains provisions to increase sales presence in Japan and U.S. markets. In addition, the plan includes:

- A new classification of prospective clients to ensure the maximum level of sales attention is devoted to Hawaii's best prospects;
- Development of a new branding of Hawaii's brand and positioning of Hawaii as "Hawaii...the Ultimate Global Gathering Place" to one that directly links Hawaii's unique characteristics of aloha and Hawaiian hospitality; and
- Revamping of the Convention Center's collateral sales materials to make them more business-centric and focus on the business benefits that the Convention Center offers prospective clients.

The HTA is currently working on amending SMG's contract to incorporate the marketing of the Hawaii Convention Center, which will be completed at the end of 2002.

The HTA is also finalizing its marketing contract with the HVCB. The HVCB will be responsible for the marketing of (CMI) at hotels and resorts statewide. The HTA board approved the HVCB's 2003 CMI marketing plan on October 31, 2002. In this plan, HVCB's 2003 goals of qualified hotel leads and lead room nights is increased by 5% over 2002.

CONCLUSION

In summary, HTA does place a high priority on meetings, conventions and incentive marketing. While the HTA was faced with a \$5 million reduction in its FY 2003 budget, it protected the marketing budgets of the Convention Center and MCI. Two contracts will be finalized by the end of December 2002, which will expand marketing efforts in the areas of meetings, conventions and incentives. Furthermore, if future budget appropriations to the HTA increase, the HTA will be able to direct and invest additional funding towards meetings, conventions and incentives.

SENATE RESOLUTION

REQUESTING THE HAWAII TOURISM AUTHORITY TO PLACE A HIGHER
PRIORITY ON MEETINGS, CONVENTIONS, AND INCENTIVES MARKETING
AS A BENEFIT TO THE LARGER ECONOMY.

1 WHEREAS, the Hawaii Tourism Authority (HTA) was established
2 in 1998 with dedicated funding of 37.9% of the transient
3 accommodations tax (TAT) for the purpose of ensuring Hawaii's
4 success as a premier visitor destination; and
5

6 WHEREAS, during the first four years of its existence, the
7 HTA has focused on leisure marketing through a \$39,000,000
8 leisure marketing contract to the Hawaii Visitors and Convention
9 Bureau, and only \$4,000,000 for convention center marketing and
10 \$2,000,000 for meetings, conventions, and incentive marketing
11 (MCI); and
12

13 WHEREAS, clearly, the positive impact on the State's
14 economy is greater with higher levels of activity in the
15 business meetings, conventions, conferences, and incentive
16 market (MCI), since there is higher discretionary spending by
17 the business visitor, and there is a greater benefit to a
18 broader sector of businesses including carpenters, electricians,
19 entertainers, food and beverage caterers, transportation and
20 tour operators, and specialty businesses; and
21

22 WHEREAS, the positive impact of the MCI market can also
23 expand the diversification of Hawaii's economy through
24 technology-based meetings in Hawaii, a sector that has increased
25 as a result of the significant rise in the United States defense
26 budget after September 11; and
27

28 WHEREAS, while the strategic plan of the HTA, Ke Kumu
29 specifically recommends expanded MCI marketing, no amended
30 budget has been developed for this action; and
31

32 WHEREAS, given the pending expiration of the HTA's
33 marketing contract with the Hawaii Visitors and Convention
34 Bureau contract at the end of 2002, the HTA has a significant
35 opportunity to expand MCI markets and it is incumbent on the

1 Legislature to direct the HTA's efforts to these areas in order
2 to provide for broader economic activities and benefits to the
3 State; now, therefore,
4

5 BE IT RESOLVED by the Senate of the Twenty-First
6 Legislature of the State of Hawaii, Regular Session of 2002,
7 that the HTA achieve goals of a mix of thirty per cent in MCI
8 marketing, as adopted in the Marketing Committee on August 29,
9 2001, and that the HTA reprioritize its resources to provide a
10 significantly greater amount to business meetings, conventions,
11 conferences, and incentive marketing and other efforts that will
12 have a greater positive impact on the State's overall economy;
13 and
14

15 BE IT FURTHER RESOLVED that the HTA is requested to direct
16 such marketing efforts to be undertaken in partnership with the
17 Hawaii Convention Center in Honolulu, conference facilities
18 offered by hotels on each island, nonprofit private sector
19 technology initiatives, and conference facilities located at
20 educational facilities such as the University of Hawai'i at
21 Hilo, University of Hawai'i-Maui, and University of
22 Hawai'i-Kauai; and
23

24 BE IT FURTHER RESOLVED that the HTA shall report no later
25 than twenty days prior to the convening of the Regular Session
26 of 2003 on all new contract provisions designed to significantly
27 increase MCI marketing for the State of Hawaii, and their
28 results; and
29

30 BE IT FURTHER RESOLVED that certified copies of this
31 Resolution be transmitted to the Chairperson of the Board and
32 the Executive Director of the HTA.
33
34
35

I hereby certify that the foregoing is a true
and correct copy of Senate Resolution No. 11 SD1
which was duly adopted by the Senate of the State
of Hawaii on April 11, 2002
Dated: APR 11 2002


Assistant Clerk of the Senate